

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (E 3338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.

Application 00-11-038  
(Filed November 16, 2000)

Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan.  
(U 39 E)

Application 00-11-056  
(Filed November 22, 2000)

Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.

Application 00-10-028  
(Filed October 17, 2000)

**RESPONSE OF THE CALIFORNIA ENERGY COMMISSION  
TO THE MOTION OF PACIFIC GAS AND ELECTRIC  
TO ESTABLISH FINAL MARKET VALUATION OF NON-NUCLEAR GENERATING  
ASSETS PURSUANT TO  
PUBLIC UTILITIES CODE SECTION 367**

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July 12, 2001

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Pursuant to Rule 45(f) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Energy Commission (CEC) respectfully files this response to the July 3, 2001 "Motion of Pacific Gas and Electric to Establish Final Market Valuation of Non-Nuclear Generating Assets Pursuant to Public Utilities Code Section 367."

On September 30, 1999, Pacific Gas and Electric (PG&E) filed an application "to market value hydroelectric generating plants and related assets

pursuant to Public Utilities Code Section 367(b) and 851.”<sup>1</sup> This application, A.99-09-053, also known as the PG&E hydro proceeding, has been the subject of extensive interest, as well as a substantial investment by the State of California for the preparation of an Environmental Impact Report.

PG&E’s July 3, 2001 motion:

...requests that the Commission consolidate in this proceeding [A.00-11-038] the existing record of PG&E’s remaining major non-nuclear generating asset market valuation proceedings and immediately adopt a final market valuation for all of PG&E’s remaining non-nuclear assets...

Although the July 3 motion requested a consolidation of PG&E’s “remaining major non-nuclear generating asset market valuation proceedings,”<sup>2</sup> this motion was served only on the Rate Stabilization Proceeding (RSP) service list. It was not served on the service lists for the hydro, Kern and Humboldt Bay proceedings. These parties were not provided with notice and an opportunity to be heard.

The service lists for the RSP case and the PG&E hydro case, Kern case and Humboldt Bay case are not identical sets. There is some crossover, but there are many parties to the hydro and other cases who are not listed on the RSP proceeding.

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<sup>1</sup> Description on the CPUC webpage.

<sup>2</sup> This refers to the market valuation records in A.00-05-031 (Kern) and A.00-05-034 (Humboldt Bay) as well as the hydro proceeding.

Many of the parties involved in the PG&E hydro case were concerned about the disposition of these assets. To the extent that Assembly Bill 6 from the 2001/2002 First Extraordinary Session prohibits PG&E from immediate divestiture, many of these concerns may be allayed. However, there remains a grave concern that the market valuation of these assets should in no way preclude an environmental evaluation of the continued operation of these assets or their eventual disposal after the end of 2005.

The Commission's Rule 55 provides that "proceedings involving related questions of law or fact may be consolidated" (emphasis added). The CEC declines at this point to say whether this proceeding, or the PG&E hydro proceeding before the Commission in A.99-09-053, is the more appropriate forum for the valuation of PG&E hydro assets. However, the CEC believes that fundamental fairness requires that PG&E's Motion, and the ALJ Ruling issued by Administrative Law Judge (ALJ) Ulloa, be provided to the service lists for A.99-09-053, A.00-05-031 and A.00-05-034, with adequate time to respond. At minimum, the parties in the hydro and other proceedings should be given the same nine days to respond that the parties in the RSP case were given.

Additionally, the PG&E motion indicates that "it appears that no administrative law judge is currently assigned to PG&E's hydroelectric market valuation proceeding."<sup>3</sup> We note that the Commission webpage indicates that ALJ Jean Vieth is assigned to this proceeding.

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<sup>3</sup> PG&E Motion of July 3, 2001, footnote 4.

For the reasons noted above, the CEC strongly believes that PG&E's motion should be served on the parties in the hydro and related cases, with adequate time to respond. In the alternative, the CEC requests that time to respond to PG&E's motion should be extended by an additional fifteen calendar days, pursuant to Rule 45(f). There are several issues critical to the valuation of hydro assets that were not raised by PG&E. The CEC, and others, need adequate time to research and articulate these issues, and coordinate with sister agencies and the Attorney General's Office. The issues to be raised include 1) the fact that the Resources Agency of the State of California is the senior trustee agency for California's natural resources; 2) the Resources Agency is the entity responsible for administration of the California Environmental Quality Act (CEQA); and 3) there are outstanding CEQA issues in the hydro docket that need to be resolved, as shown by the comments filed by state agencies and others in March, 2001.

The CEC appreciates this opportunity to provide its comments.

Respectfully submitted

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